

ACTIVE RE-ENTRY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

ACTIVE RE-ENTRY, INC.
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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Active Re-Entry, Inc.
Price, Utah 84501

We have audited the accompanying statement of financial position of Active Re-Entry, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Active Re-Entry, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2005 on our consideration of Active Re-Entry, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

SMUIN, RICH & MARSING



Price, Utah

October 25, 2005

ACTIVE RE-ENTRY, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 89,828
Grants and contracts receivable	80,488
	<hr/>
Total current assets	\$ 170,316

FIXED ASSETS:

Land	\$ 43,000
Land Improvements	26,794
Building	1,042,727
Building Improvements	51,641
Automobiles	175,159
Furniture and equipment	10,690
Less: accumulated depreciation	(136,714)
	<hr/>
Net fixed assets	\$ 1,213,297
	<hr/>
Total assets	\$ 1,383,613

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Compensated absences	\$ 7,628
Current portion of long-term debt	16,000
	<hr/>
Total current liabilities	\$ 23,628

LONG-TERM LIABILITIES - Less current portion

Note payable--CIB loan	\$ 348,000
	<hr/>
Total liabilities	\$ 371,628

NET ASSETS:

Unrestricted	\$ 878,119
Temporarily restricted	133,866
	<hr/>
Total net assets	\$ 1,011,985
	<hr/>
Total liabilities and net assets	\$ 1,383,613

"The accompanying notes are an integral part of these financial statements."

ACTIVE RE-ENTRY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE:			
Support:			
Grant/contract support		\$ 582,768	\$ 582,768
Contributions	\$ 14,056		14,056
Total support	\$ 14,056	\$ 582,768	\$ 596,824
Revenue:			
Interest income	\$ 643		\$ 643
Total revenue	\$ 643	\$...	\$ 643
Total support and revenue	\$ 14,699	\$ 582,768	\$ 597,467
EXPENSES:			
Program services:			
Independent living skills		\$ 434,964	\$ 434,964
Critical needs		20,000	20,000
Rural independent living		22,895	22,895
CSBG/SSBG		3,814	3,814
CEU contract	\$ 5,259		5,259
KOMAN foundation		4,862	4,862
Service for people with disabilities and Title XIX		14,872	14,872
VISTA		6,194	6,194
Ombudsman - Southeast and Uintah		17,158	17,158
USU Agrability		20,785	20,785
USU At supplies		145	145
USU At supplemental		48	48
Family caregiver support & training		5,000	5,000
Consumer services	37,728		37,728
Total expenses	\$ 42,987	\$ 550,737	\$ 593,724
Change in net assets	\$ (28,288)	\$ 32,031	\$ 3,743
Net assets, July 1, 2004	906,407	101,835	1,008,242
Net assets, June 30, 2005	\$ 878,119	\$ 133,866	\$ 1,011,985

"The accompanying notes are an integral part of these financial statements."

ACTIVE RE-ENTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	INDEPENDENT LIVING SKILLS	INDEPENDENT LIVING SKILLS	CRITICAL NEEDS	RURAL INDEPENDENT LIVING	CSBG/ SSBG
FUNCTIONAL EXPENSES:					
Payroll:					
Salaries and wages	\$ 52,302	\$ 156,441			
Employee benefits	18,742	54,778			
Total payroll	\$ 71,044	\$ 211,219	\$...	\$...	\$...
Other:					
Contract services					
Travel/Transportation	\$ 8,346	\$ 25,512		\$ 22,895	\$ 67
Telephone	3,006	8,927			
Space costs	2,578	8,837			
Utilities	1,495	6,373			
Supplies	3,716	22,924			
Conferences and workshops	383	2,207			2,992
Postage	625	1,673			
Maintenance/Repairs	1,843	15,674	\$ 20,000		
Dues and publications	834	336			
Accounting and legal	1,296	4,328			
Printing	583	1,678			
Insurance	1,605	6,946			
Advertising		449			
Miscellaneous		2,287			755
Total other expenses	\$ 26,310	\$ 108,151	\$ 20,000	\$ 22,895	\$ 3,814
Allocation of depreciation expense		\$ 18,240			
Total functional expenses	\$ 97,354	\$ 337,610	\$ 20,000	\$ 22,895	\$ 3,814

"The accompanying notes are an integral part of these financial statements."

ACTIVE RE-ENTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	CEU SUN CENTER	KOMEN FOUNDATION	SERVICE FOR PEOPLE WITH DISABILITIES	VISTA	OMBUDSMAN SOUTHEAST	OMBUDSMAN UINTAH
FUNCTIONAL EXPENSES:						
Payroll:						
Salaries and wages		\$ 4,502	\$ 11,028		\$ 6,275	\$ 5,621
Employee benefits		360	3,844		3,186	1,037
Total payroll	\$...	\$ 4,862	\$ 14,872	\$...	\$ 9,461	\$ 6,658
Other:						
Contract services				\$ 6,194		
Travel/Transportation					\$ 259	\$ 404
Telephone					122	
Space costs						
Utilities						
Supplies					166	88
Conferences and workshops						
Postage						
Maintenance/Repairs						
Dues and publications						
Accounting and legal						
Printing						
Insurance						
Advertising						
Miscellaneous						
Total other expenses	\$...	\$...	\$...	\$ 6,194	\$ 547	\$ 492
Allocation of depreciation expense	\$ 5,259					
Total functional expenses	\$ 5,259	\$ 4,862	\$ 14,872	\$ 6,194	\$ 10,008	\$ 7,150

"The accompanying notes are an integral part of these financial statements."

ACTIVE RE-ENTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2005

	USU AGRABILITY	USU-AT SUPPLIES	USU-AT SUPPLE.	FAMILY CAREGIVER SUPPORT	CONSUMER SERVICES	TOTAL PROGRAM EXPENDITURES
FUNCTIONAL EXPENSES:						
Payroll:						
Salaries and wages	\$ 9,948				\$ 6,931	\$ 253,048
Employee benefits	3,452				162	85,561
Total payroll	\$ 13,400	\$...	\$...	\$...	\$ 7,093	\$ 338,609
Other:						
Contract services	\$ 7,200					\$ 13,394
Travel/Transportation	176				\$ 550	58,209
Telephone						12,055
Space costs						11,415
Utilities						7,868
Supplies				\$ 1,810	70	28,774
Conferences and workshops				2,529		8,111
Postage						2,298
Maintenance/Repairs					532	38,049
Dues and publications				635		1,805
Accounting and legal						5,624
Printing				26	67	2,354
Insurance						8,551
Advertising					100	549
Miscellaneous					3,250	6,292
Total other expenses	\$ 7,376	\$...	\$...	\$ 5,000	\$ 4,569	\$ 205,348
Allocation of depreciation expense	\$ 9	\$ 145	\$ 48		\$ 26,066	\$ 49,767
Total functional expenses	\$ 20,785	\$ 145	\$ 48	\$ 5,000	\$ 37,728	\$ 593,724

"The accompanying notes are an integral part of these financial statements."

ACTIVE RE-ENTRY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets		
Adjustments to reconcile change in net assets		\$ 3,743
to net cash provided by operating activities:		
Depreciation	\$ 49,767	
(Increase)/Decrease in accounts receivable	(17,566)	
Increase/(Decrease) in compensated absences	282	
	<hr/>	
Net cash provided by operating activities		32,483
Adjustments to reconcile change in net assets		
to net cash provided by investing activities:		
Fixed asset purchases	\$ (26,794)	
	<hr/>	
Net cash provided by investing activities		(26,794)
Adjustments to reconcile change in net assets		
to net cash provided by financing activities:		
Decrease in Note payable--CIB loan	\$ (16,000)	
	<hr/>	
Net cash used by financing activities		(16,000)
		<hr/>
Net increase (decrease) in cash and cash equivalents		\$ (6,568)
Cash and cash equivalents - July 1, 2004		96,396
		<hr/>
Cash and cash equivalents - June 30, 2005		\$ 89,828
		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements."

ACTIVE RE-ENTRY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED JUNE 30, 2005

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Active Re-Entry, Inc. was organized on June 10, 1988 as a nonprofit corporation. The purposes for which the Corporation was organized are as follows:

- A. To increase or maintain the ability of individuals with severe disabilities to function independently in their communities and homes.
- B. To contract with the State of Utah, or its agencies or any other body, for the funding and treatment of the clients, and for the administration of the programs and facilities established by the Corporation.
- C. To increase the level of community-based independent living services to individuals with severe handicaps located in the Eastern Utah Independent Living Rehabilitation District.

CONTRIBUTED SERVICES

During the year ending June 30, 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Board to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

It is the Organization's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Property and equipment are depreciated using the straight-line method.

1. **NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

FINANCIAL STATEMENT PRESENTATION

Active Re-Entry, Inc. prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. They are required to report information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets.

CONTRIBUTIONS

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions.

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

2. **RESTRICTIONS ON NET ASSETS**

UNRESTRICTED –

The unrestricted net asset account pertains primarily to amounts that are not designated for specific purposes.

TEMPORARILY RESTRICTED –

The temporarily restricted net asset account pertains to federal, state and local grants that have been received by the Organization. The balance in the account primarily deals with equipment purchases made with federal and state funds that have not been fully depreciated.

3. **DEPOSITS**

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	<u>\$ 89,828</u>	<u>\$ 154,428</u>

4. **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

FIXED ASSETS, AT COST				
	Balance July 1, 2004	Additions	Adjustments and Retirements	Balance June 30, 2005
Land	\$ 43,000			\$ 43,000
Land Improve		\$ 26,794		26,794
Building	1,042,727			1,042,727
Building Improve	51,641			51,641
Automobiles	175,159			175,159
Furniture and equipment	10,690			10,690
Total fixed assets	<u>\$ 1,323,217</u>	<u>\$ 26,794</u>	<u>\$...</u>	<u>\$ 1,350,011</u>

ACCUMULATED DEPRECIATION				
	Balance July 1, 2004	Depreciation	Adjustments and Retirements	Balance June 30, 2005
Building	\$ 32,606	\$ 26,068		\$ 58,674
Building Improvements	6,248	3,773		10,021
Land Improvements		1,340		1,340
Automobiles	40,076	17,517		57,593
Furniture and equipment	8,017	1,069		9,086
Total accumulated depreciation	<u>\$ 86,947</u>	<u>\$ 49,767</u>	<u>\$...</u>	<u>\$ 136,714</u>

5. **NOTES PAYABLE**

Active Re-Entry's long-term debt consists of the following:

A note payable to Carbon County, who borrowed funds from the Community Impact Board for the construction of a building, was entered into in October, 2001 and finalized as of June 30, 2004. The original amount of the loan was \$400,000. The monthly payments are \$1,333.33. The payments cover a twenty-five (25) year period of time; the final payment is due September 2028. The note payable bears no interest.

	Balance June 30, 2004	Additions and Transfers	Payments and Reductions	Balance June 30, 2005
Carbon County/CIB	\$ 380,000		\$ (16,000)	\$ 364,000
	<u>\$ 380,000</u>	<u>\$...</u>	<u>\$ (16,000)</u>	<u>\$ 364,000</u>

Future scheduled maturities of long-term debt are as follows:

	Payment	Principal	Balance
			\$ 364,000
June 30, 2006	\$ 16,000	\$ 16,000	348,000
June 30, 2007	16,000	16,000	332,000
June 30, 2008	16,000	16,000	316,000
June 30, 2009	16,000	16,000	300,000
June 30, 2010	16,000	16,000	284,000
Thereafter	284,000	284,000	
	<u>\$ 364,000</u>	<u>\$ 364,000</u>	<u>\$...</u>

6. **PENSION PLAN**

State and School - Cost Sharing

Plan Description. Active Re-Entry, Inc. contributes to the State and School Noncontributory Retirement System, cost sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issued a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. In the State and School Noncontributory Retirement System, Active Re-Entry, Inc. is required to contribute 13.380% of its annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Active Re-Entry's contributions to the Noncontributory Retirement System for the years ending June 30, 2005, 2004, and September 30, 2003 were \$28,930, \$26,963, and \$24,038 respectively. The contributions were equal to the required contributions for each year.

7. **COMPENSATED ABSENCES**

Compensated absences have been figured for Active Re-Entry, Inc. based on the following information. The actual liability for vacation was computed using the current pay rate per hour for each vacation hour. Only vacation days, up to two weeks, are paid upon termination. Because of this policy, this is the only amount recorded.

8. **FUNCTIONAL EXPENSE ALLOCATIONS**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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Board of Directors
Active Re-Entry, Inc.
Price, Utah 84501

RE: Report on Compliance and on Internal
Control Over Financial Reporting and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of Active Re-Entry, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Laura L. Smith".

Price, Utah

October 25, 2005